

**GOVERNMENT OF INDIA  
PETROLEUM AND NATURAL GAS  
LOK SABHA**

UNSTARRED QUESTION NO:1004

ANSWERED ON:23.10.2008

HIKE IN THE PRICES OF OIL

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**Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:**

- (a) whether the prices of oil has gone up internationally at a time when the growth of consumption is lower than the growth of production and the market is full of oil;
- (b) if so, the reasons therefor; and
- (c) the remedial steps taken by the Government in this regard?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA PATEL)

(a)&(b): Oil prices are influenced by both fundamental factors and market speculation. While fundamental factors such as rising demand, lack of substitute for oil, rising cost of Exploration and Production (E&P) of new oil in geologically difficult and frontier basins, lag in refining capacity, etc., point towards hardening of oil prices, heavy investments by financial players in the commodities markets have also substantially added to the price escalation. However, the price of oil has declined, from a high of \$ 142.04 per barrel on 03.07.2008 to \$ 68.81 per barrel on 15.10.2008 for Indian Basket of crude oil.

(c): The Government has taken the following steps to enhance the energy security in the country :

- (i) Carving out more and more areas of exploration for offer under various rounds of New Exploration Licensing Policy (NELP).
- (ii) Quicker development of discovered reserves for enabling commencement of production.
- (iii) Use of stimulation techniques for increasing production from existing fields.
- (iv) Application of Enhanced Oil Recovery (EOR)/Improved Oil Recovery (IOR) techniques for increasing recovery from existing fields.
- (v) Arresting decline from ageing fields.
- (vi) Acquisition of exploration acreages and oil producing properties overseas to bring in equity oil.
- (vii) Substitution of oil in the transport sector through use of alternative fuels such as Bio-diesel, ethanol, blended-petrol etc.
- (viii) Diversification of the sources for procurement of crude. The Oil Marketing Companies (OMCs) are now importing crude oil from about 25 countries either on term contract or through spot purchase basis.
- (ix) Construction of a Strategic Storage of crude oil of 5 MMT capacity at three locations viz. Visakhapatnam, Mangalore and Padur for meeting unforeseen situations arising out of short term supply disruptions etc.